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THE WHITE HOUSE

REPORT ON NICARAGUA

November 6, 1985

HUMAN RIGHTS ISSUESThe Nicaraguan Democratic Resistance

The Sandinista regime's intolerance of dissent has resulted in a growing democratic resistance movement in Nicaragua. The most prominent leaders of this movement also had been leaders of democratic sectors in the broad coalition which eventually overthrew Somoza. They were forced into opposition by the Sandinistas' betrayal of the promise of a pluralistic system, one of the principle goals for which the 1979 revolution was fought. Refusing to pursue internal reconciliation, the Sandinistas instead have taken increasingly repressive measures to silence the democratic opposition and consolidate a totalitarian system. As a result, Nicaraguans from all walks of life in increasing numbers have felt compelled as a last resort to take up arms against the regime. Today, the democratic resistance has approximately 18,000 men and women under arms and shows every indication of continuing to grow in strength.

Resistance forces have been charged by the Sandinista regime with a wide range of human rights abuses, from forced recruitment to rape and summary execution. These allegations have received broad coverage in the government-owned media and have been disseminated abroad through international human rights organizations and foreign groups active in Nicaragua and sympathetic to the Sandinista regime. Many of these allegations are either false or greatly distorted. Others, including instances of forced recruitment and summary execution of military prisoners, or in certain cases, Sandinista officials and regime informers, are likely to have occurred. It is also clear that individual soldiers in the course of combat have committed random abuses or atrocities. Such violations are unacceptable, and resistance leaders are keenly aware of the absolute necessity of improving the performance of their troops in this area. The principal resistance group, the United Nicaraguan Opposition (UNO), has taken measures to address these problems.

As in any civil war, there has been a serious lack of reliable information on human right abuses which occur in isolated combat zones. While UNO has begun to record instances of abuse by its personnel, as well as remedial or punitive measures taken in response, such information was not in the past collected on a regular basis.

Heretofore, the only regularly received information on alleged resistance violations has come from Sandinista sources. These allegations have been obviously biased, at best

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grossly exaggerated and often simply false. This conclusion is supported by local residents in communities where atrocities allegedly have been committed, and by the testimony of Sandinista defectors who were directly involved in implementing official policy. A key element in the Sandinista campaign has been the fabrication of charges of human rights abuses and, in some cases, attributing to the resistance atrocities actually committed by Sandinista forces. The following cases illustrate these tactics:

- In a May 1985 interview at a Nicaraguan refugee camp in Honduras, during which information was sought concerning resistance abuses, one woman related that Sandinista troops had executed seven farmers in her home village after an attack by the resistance. The farmers were considered resistance sympathizers by the authorities. The murders were publicly attributed to the resistance. The true facts were later circulated by residents who had witnessed the killings.
- In a complaint filed through his mother in the summer of 1985 with the independent Permanent Commission on Human Rights, a Sandinista soldier stated that he had been severely pressured by military authorities to issue statements claiming he had been abused while held captive by the resistance. He said that, in fact, although he had been exposed to resistance political views, he had been very well treated and given medical assistance. He was asked if he wanted to join the resistance, but when he refused was escorted some distance from the camp and released. The soldier refused to make the statements sought, and was then beaten badly and turned over to State Security. The soldier stated that he had been warned that he would be held in jail until he cooperated with the authorities.
- A Sandinista Army deserter, now fighting with the resistance, said he decided to go over to the other side when his unit carried out orders to execute two campesinos specifically for the purpose of blaming yet another atrocity on the "contras."
- According to those on the scene, a government press story that FSLN and neighborhood defense committee members had been brutally murdered in a "contra" attack on Cuapa August 1 was essentially false. Witnesses said the engagement was strictly military to military, and left a number of Sandinista soldiers dead. There were no civilian casualties. Following the fight, the resistance troops held a town meeting

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with residents, after which they left. There was no basis for press reports that the "contras" had not only murdered innocent civilians, but skinned their faces. It appears that the Sandinistas mutilated the bodies of some of their own casualties to substantiate such a charge. ✓

The incidents cited above represent cases where available information suggests that the facts have been distorted by the Sandinista regime. In most instances, however, it is not possible to confirm or deny allegations presented by the regime, a situation that should be partially remedied by more complete information being collected by UNO.

There is reason to believe that the resistance has in the past abducted civilians. Statements from a number of sources who have themselves been taken by the resistance indicates a pattern in which civilian prisoners, under reasonably humane circumstances, are exposed to "political indoctrination" (i.e. lectures on resistance goals, abuses of authority by the Sandinistas, etc.), given food and medical treatment, and offered one of three choices: joining with the resistance; accepting refugee status in another country; or returning to their homes.

An example is provided in the case of seven members of Sandinista "education brigades" -- squads of young adults who provide basic education in rural areas -- who were taken prisoner by the resistance at various times and places. Rather than return home, they have chosen to remain with the armed opposition. In letters sent to their families through the Red Cross in April 1985, the former brigadistas speak openly of their opposition to the policies of the Sandinista regime, and their desire to see a free and democratic Nicaragua. Several of them also reject vociferously allegations of opposition abuses. The Sandinistas continue to use the "kidnapping" of these and other brigadistas in propaganda charges against the resistance.

There have been civilian casualties from resistance attacks, in some cases as a direct result of the Sandinista policy of placing civilians in situations in which they are likely to be endangered during attacks on legitimate military targets. This was true, for example, in the July 1985 deaths of eight women who were being transported in a military vehicle to the front to visit their sons.

There is no reliable information to confirm that military prisoners have been executed by resistance forces, although it is possible that such executions have occurred. Summary executions are clearly contrary to accepted rules of conflict, and are inexcusable regardless of the circumstances contributing to the practice.

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Since its establishment in June 1985, UNO has taken steps to prevent human rights violations by establishing an office of human rights to educate troops on the correct conduct towards both civilians and prisoners of war, and has created a "red cross" society to promote the humane treatment of military prisoners. Arturo Cruz, a member of the UNO Directorate, has been assigned special responsibilities for overseeing measures to promote respect for human rights by UNO forces. Ismael Reyes, the former President of the Nicaraguan Red Cross, has been named head of the UNO Human Rights Commission. In establishing its informal "red cross" society, UNO leaders have emphasized in communications with the International Committee of the Red Cross the organization's intent to abide by the provisions of the Geneva Convention of 1949, in particular those regarding the humanitarian treatment of prisoners, enemy wounded and civilians.

UNO has provided the Red Cross lists of enemy prisoners and dead. It has also provided the Red Cross information regarding persons reported missing, and forwarded letters from enemy prisoners. UNO has also invited the Inter-American Commission on Human Rights to send a representative to observe the conduct of its forces in the field.

To ensure that its forces are well versed in accepted human rights practices, UNO has distributed widely among its troops a "Manual of the Combatant," which emphasizes humane treatment of enemy prisoners and wounded and respect for the property and well-being of innocent civilians. A "Code of Conduct" for internal discipline, which has also been widely disseminated, sets forth specific punishments for criminal acts, including crimes against civilians, and for mistreatment of enemy prisoners.

A recent report written by the Director of the UNO/FDN Commission of Human Rights reviews twenty-one cases in which members were charged with crimes ranging from theft to homicide. About twenty UNO/FDN combatants are reported currently held in detention facilities at resistance camps serving sentences imposed under the "Code of Conduct." There are reports that UNO is currently attempting to arrange a prisoner exchange with Sandinista authorities. Under the auspices of the local Red Cross, Sandinista prisoners have on several occasions been turned over to third-party authorities who arrange for their return home. It is also possible to confirm that at least some military prisoners, such as the Sandinista soldier mentioned earlier, are held under humane conditions.

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Resistance members have also been expelled from the movement for criminal actions which may have involved human rights abuses. In one instance, sixty men were expelled, suggesting an entire unit's involvement in criminal activity. The punitive measures taken against such criminals and the efforts underway to improve the resistance record, including disciplinary measures applied under the "Code of Conduct," clearly indicate, however, that it is not the policy of the resistance to engage in such violations.

#### The Sandinista Government

On October 15, Daniel Ortega announced a new state of emergency suspending virtually all civil liberties in Nicaragua. The decree signaled an escalation in the assault on basic freedoms, providing further legal underpinning to the consolidation of a totalitarian regime. The 1982 state of emergency was partially lifted in 1984 as part of pre-election atmospherics; in reality, the policy of intolerance towards dissent continued in force through arbitrary arrests, detentions, and interrogations and the forcible disruption of religious, political, private sector, and labor activities. The new decree suspends the following rights and freedoms:

- freedom of expression;
- freedom of the press;
- the right of assembly;
- the right to trial by jury;
- the right to be considered innocent until proven guilty;
- the right of habeas corpus;
- freedom from arbitrary imprisonment;
- freedom of movement;
- the right to form labor organizations and to strike;
- the right to found and advance community, rural and professional organizations; and
- the right to found and advance cooperatives.

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It was subsequently clarified in the National Assembly on October 30 that certain rights remain in effect -- the right to a jury, the right to an attorney, and the right to habeas corpus -- but these rights are available only to those not accused of crimes against "the security of the nation and public order." The decision as to what constitutes a crime against national security or public order clearly rests with the government, and it is apparent that ordinary political and civic activities are being placed in that category.

The Sandinistas have offered several rationales for the further oppression of the Nicaraguan people, among which they include the need to protect the public against the armed resistance. There would seem to be a striking inconsistency in attempting to close ranks against an enemy -- particularly one whose defeat is imminent, according to the regime -- by launching an assault on the public at large. Analysis of the rising level of domestic unrest in the months preceding the announcement suggests that the actual motive was a sense that diminishing public support for regime policies had reached a dangerous level.

It is also abundantly clear that the crackdown was particularly directed at the Nicaraguan Catholic Church, traditionally one of the strongest institutions in Nicaragua. The October 15 decree followed a series of Sandinista actions against the Catholic Church, including the forced induction of eleven youths preparing for the priesthood, armed raids on the broadcasting facilities of Radio Catolica and disruption of transmissions of Cardinal Obando y Bravo's homilies, confiscation of a newly-published Church newspaper and seizure of the printing equipment used in its publication, and occupation of the Church Curia Social Services offices. The authorities have now intensified the attack on not only the Church -- some of the most prominent leaders of which have been vilified as counterrevolutionaries in the government press -- but on virtually all other sectors of the opposition.

Agents of State Security have rounded up leaders of political, private sector, labor, and Church organizations, subjecting them to interrogations and threatening further action should they fail to observe the new prohibitions. One labor group, the Nicaraguan Workers Central (CTN) -- associated with the Social Christian Party -- has been closed down and three of its officials arrested and interrogated; political leaders have been warned against the issuance of public statements or holding of political meetings; and thousands of worshippers have been prevented by force from attending masses given by Cardinal Obando. Over a hundred persons have been rounded up and paraded as the centerpiece in the Sandinista campaign against the "internal front," another justification offered by the Sandinistas for their actions against the public. The policies now in force are clear evidence of the regime's totalitarian goals, and underscore the growing level of popular alienation from the regime.

A sinister backdrop to these actions has been provided by the revelations of a recent Nicaraguan defector, Jose Alvaro Baldizon. The former chief investigator of the Special Investigations Commission, an immediate subordinate to Interior Minister Tomas Borge, Baldizon has offered detailed information, as well as supporting documents, indicating that the Sandinista regime engages in massive violations of human rights as a matter of policy. According to investigations carried out by Baldizon himself, the regime has sanctioned the summary execution of hundreds of Nicaraguans perceived to be "potential enemies of the revolution."

Specific cases investigated by Baldizon concern the application of "special measures" (execution) to 150 Miskito Indians, 300 campesinos, religious activists, and political opponents. The most well-known of the Sandinistas' victims was Jorge Salazar, former vice president of the Superior Council of Private Enterprise (COSEP), who was gunned down by State Security in 1980. Baldizon stated that weapons were placed in Salazar's vehicle after he was killed to lend credence to the charge that Salazar was planning armed insurrection in Managua. Baldizon further states that the policy of assassination has now been codified in a strict and highly-secret system of regulations governing the selection and execution of "potential enemies," authorization for which must be obtained in writing from Interior Minister Borge or his first deputy, Luis Carrion.

Baldizon's charges do not stand alone. They are complemented by a considerable body of information concerning Sandinista atrocities, some of which confirms the specific cases cited by Baldizon. The following cases represent only a small part of the information available on such abuses:

- On April 16, 1985, forces of the armed resistance attacked the Atlantic Coast town of Bluefields, during the course of which they freed prisoners held at the local garrison. While some of those freed fled with the resistance when the Sandinistas counterattacked, about 20 unarmed youths took shelter under a building. The Sandinista Army took the prisoners into custody. Town residents testify that the bodies of all of the youths were subsequently seen in a pile of "contra" corpses put on display as an example to local residents.
- The Sandinistas have carried out extensive mining of border areas and around villages vacated at their orders. Although the ostensible purpose of the mining is to deny use to resistance forces, in fact many of the victims have been persons fleeing to the

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safety of Honduras. Indian villages in Mosquitia were similarly mined, and Indian guerrillas have stated that at least six persons have been killed by the mines when returning to their homes under Sandinista auspices.

- According to a complaint filed with the Sandinista-sponsored human rights commission, several persons at the Carcel Modelo at Tipitapa went on a hunger strike in January 1985 to protest their continued detention on charges of which they were innocent and the conditions under which they were being held. As a result, they were brutally beaten, tortured, and held in isolation. There are other reports of mass executions of prisoners, including eight who headed an uprising at the Zona Franca prison in 1981.
- Another complaint, filed with the independent Permanent Commission on Human Rights, relates the torture of Sofonios Cisneros Leiva, a 60-year old engineer and community leader, at State Security facilities. Cisneros was arrested late at night following a meeting he organized to discuss parental concerns over the Marxist indoctrination of their children. Cisneros was tortured by Lenin Cerna, head of State Security, who threatened to kill Cisneros, warned him to remain silent concerning his arrest, and had him dropped off naked on the Masaya highway.
- According to residents in several villages, Sandinista troops have conducted deliberate attacks on civilians in order to attribute the atrocities to the resistance. For example, in March 1985 a hand grenade was thrown by Sandinista troops into a house at Los Cerritos, killing a husband and wife and their two children. In other cases, the forcible relocation of families from areas of popular support for the resistance has been accompanied by the burning of family homes and possessions, slaughter of livestock, and physical brutality against those reluctant to depart. There have been reports that persons who have refused to leave have been shot as an example to others. Resistance forces frequently report the use of indiscriminate fire by the Sandinistas in counterattacks, leading to the deaths of numerous civilians.
- A Nicaraguan employee of the United Nations, Javier Ivan Blandon, disappeared while on a visit to Managua in January 1985. We understand he had come into

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conflict with the Sandinistas over his travel documents. Blandon's body was later returned to his family in a sealed coffin, with the official explanation that he had been killed in an Air Cubana crash. His name was on a passenger list shown to the family. Baldizon states that Blandon was murdered by State Security, and that the cooperation of the Cubans was enlisted in having his name added to the passenger list of a recent airline crash.

- Martha Lidia Murillo Vallejo, a nine-year old from Jinotega, related to Honduran authorities that her father was shot by the Sandinista military in November 1984 while he and the family were picking coffee. The reason: he had refused to join the military. The rest of the family, including children, fled from the scene and were also killed. Martha escaped and hid with her uncle, who later took her to the Honduran border. There he was shot by Sandinista soldiers, and Martha was bayoneted in the neck. When she regained consciousness, she was hit in the head with a rifle butt and left for dead. She was found by resistance forces, who carried her to a nearby home. The facts of the massacre were confirmed by an official from Jinotega.
- In July 1985, Sandinista soldiers near San Isidro reportedly tortured to death Ismael Cantarero because he refused to join the Patriotic Military Service. Cantarero's hands and feet were cut off.

Although the incidents related above represent only a fraction of the evidence available concerning the deliberate, ruthless violation of basic human rights by the Sandinistas, there has been remarkably little publicity given to these abuses. Indeed, several reports from private human rights organizations and activists either ignore entirely Sandinista abuses or dramatically underestimate the significance of those abuses. Statements by Baldizon and other Sandinista defectors indicate that this imbalance is at least partially a result of a skillful, highly-organized official disinformation program.

Mateo Guerrero, a former Executive Director of the Sandinista-sponsored human rights commission (CNPPDH) who has received asylum in the United States, has publicly discussed the way in which that organization has evolved into a propaganda tool for the regime. While the CNPPDH has always faced serious restrictions on its ability to investigate allegations of official abuses, in January 1985 CNPPDH was specifically ordered by the Foreign Ministry to cease any further efforts to do so. Guerrero further states that

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on several occasions reports actually written by the Foreign Ministry were published as CNPPDH documents. CNPPDH was instructed to lend full assistance to persons or groups favorably disposed to the regime who were preparing human rights reports. In the case of Reed Brody, a New York attorney, this assistance included the payment of all expenses, including food and lodging, provision of a chauffeured car, arrangement of all interviews and provision of a list of "appropriate" cases for investigation. Mr. Brody nevertheless explicitly stated in his introduction to the study "Attacks by the Nicaraguan 'Contras' on the Civilian Population" that, although the idea for the report was conceived by the law firm of Reichler and Appelbaum (a registered agent of the Sandinista regime), neither he nor any other member of the investigations team received any form of compensation or reimbursement for their expenses. Brody's disclaimer conceded only that the team stayed in a Sandinista-owned house for "part" of the visit and had used office space provided by CNPPDH. Another defector has stated that Brody selectively edited his evidence to eliminate any statements supportive of or favorable to the resistance. As a rule, inquiries to the CNPPDH and other official agencies from human rights organizations concerning allegations against the regime are satisfied by providing deliberately false information deflecting or significantly mitigating the charges.

In an effort to ensure the "correct" ideological perspective within CNPPDH, two purges of membership have been engineered by the regime. By 1982, many of the original members were replaced, in some cases because their defense of human rights per se was too vocal and too independent. Edgar Macias, a leader of the Popular Social Christian Party, went into exile after being labeled a "U.S. intelligence agent." He was followed by Ismael Reyes Rojas, president of the Nicaraguan Red Cross, whom the Sandinistas accused of embezzlement and counterrevolutionary activity. In July 1985, following Guerrero's defection, the entire membership was changed. The new members were all staunch supporters of the FSLN.

In further illustration of the CNPPDH's role as a propaganda arm, we note that in 1984 only two reports were issued, both of which addressed only allegations of resistance abuses. Concerning the regime, the documents stressed only that it "was operating under a declared state of emergency." In 1985, no reports had been issued as of August. On the other hand, if the CNPPDH does not carry out investigations into abuses, it does play a vital role in meeting with foreign delegations for the purpose of denouncing the resistance. In January 1985, Alejandro Bendana of the Foreign Ministry announced to CNPPDH members that he would personally direct the group's activities in order to promote an international offensive by the Sandinistas to denounce alleged abuses of the resistance.

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Baldizon adds counterpoint to Guerrero's testimony, stating that the CNPPDH was routinely denied access to any information concerning official abuses. He explained that his own extensive investigations were used to create elaborate cover stories, precise to the detail, which explained away Sandinista atrocities by showing the victims had fled to other countries, been killed by the resistance, or been killed while escaping. In a few instances, for the sake of credibility, individual soldiers were "found guilty" of abuses and brought to justice in show trials at which they received lengthy prison terms. (Baldizon states that these men were later quietly released, after attention had subsided, and sometimes were given government jobs in other areas of the country.) Such disinformation has been regularly disseminated to international human rights organizations.

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NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

On August 29, 1985, President Reagan signed Executive Order 12530 creating the Nicaraguan Humanitarian Assistance Office (NHAO) for the purpose of disbursing \$27 million in humanitarian aid to the Nicaraguan democratic resistance. On September 9, the President designated Ambassador Robert W. Duemling as Director of NHAO.

The NHAO staff consists of the Director, five supervisory and two clerical personnel, all detailed on a non-reimbursable basis from federal agencies (State, AID and USIA), with the exception of the Director, whose salary is reimbursed to State from the humanitarian assistance program funds. Office space in a government-leased building is charged to program funds, but furnishings and equipment have been borrowed at no charge. Administrative support, including legal advice from the Office of the Legal Adviser, is provided by the Department of State.

The Executive Order assigned responsibility for policy guidance to the Secretary of State and his designees. The Secretary has established a Senior Inter-Agency Group, chaired by the Under Secretary for Political Affairs, to establish basic policy and exercise oversight of NHAO activities; policy guidance for day-to-day NHAO operations is provided by the Assistant Secretary of State for Inter-American Affairs, who chairs an inter-agency group that assures effective coordination.

As a matter of policy, the United Nicaraguan Opposition (UNO) was designated to be the initial recipient for humanitarian assistance distributed by NHAO. UNO is an umbrella-organization which brings together the largest number of anti-Sandinista political and paramilitary elements. It is led by Adolfo Calero, Arturo Cruz and Alfonso Robelo; its principal components include the Nicaraguan Democratic Force (UNO/FDN), the Armed Forces for Revolution in Nicaragua (UNO/FARN), and a coalition of Atlantic Coast Indians and Creoles (UNO/KISAN). Using UNO as a conduit for assistance serves the policy objective of encouraging cohesion within the democratic resistance; it also simplifies administrative procedures and restrains administrative costs.

METHOD FOR FUNDING

NHAO is disbursing funds for four basic categories of goods and services: food, clothing, medicine and medical care, and equipment. NHAO also provides funds for transporting supplies to Central America.

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Funds for these goods and services are being provided to UNO through a series of grants, each of which obligates a fixed amount of humanitarian assistance funds for the use of UNO, subject to certain terms and conditions. While the grant gives UNO a conditional legal entitlement to the funds, NHAO retains actual possession of the funds and administers their disbursement. To date, three major grants totaling \$5.5 million and a smaller grant of \$25,000 have been issued. Once a grant has been issued, UNO identifies the goods or services it needs and a suitable vendor, and negotiates the terms of a proposed sale to UNO. These terms are set forth on a pro forma invoice which UNO submits to NHAO. The pro forma invoice is reviewed by NHAO to ensure that the goods or services in question meet the criteria for humanitarian assistance, and that the payment requested is appropriate for value received. NHAO also monitors the quantity of items, to assure against an oversupply so substantial as to suggest a possible risk of diversion. If the proposed purchase is approved, then NHAO authorizes UNO to make the purchase. NHAO signals its approval to the vendor through issuance of a letter of commitment. After shipment or delivery has been verified, NHAO pays the vendor directly from UNO grant funds.

Monitoring and verification of procurement and delivery takes several forms, depending on location. Within the United States, NHAO representatives are able to make on-site inspections of supplies as they are aggregated for shipment into the Central American region. To monitor supplies and services contracted and delivered abroad, NHAO relies on reports from all available sources to confirm that actual transactions conform to the relevant documentation.

#### DELIVERY INCIDENT

On October 10, an UNO charter flight paid for by NHAO and carrying supplies purchased under NHAO auspices landed apparently without permission in Tegucigalpa, causing the Honduran Government to take custody of the cargo. Discussions between the American Embassy and the Honduran Government resulted in the cargo being released and returned to the United States.

#### SUMMARY OF PAYMENTS

Attached in tabular form is a summary of NHAO disbursements and commitments to pay, through October 31, 1985.

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1. NHAO Grants to UNO (to be disbursed through letters of commitment)

Grant 601 - \$1,000,000 (Issued October 3, 1986)

Grant 602 - \$1,500,000 (Issued October 15, 1986)

Grant 603 - \$3,000,000 (Issued October 29, 1986)

Total - \$5,500,000

In addition to the above three grants for food, clothing and medical supplies, NHAO issued a small fourth grant signed October 17, 1986, for \$25 thousand (Grant No. 641-001) to fund an UNO office in Washington, D.C. The grant stipulates that the activities of that office must be strictly limited to the provision of liaison services between UNO and NHAO to facilitate the operation of the program. This liaison office grant differs from the other three in that it permits UNO to receive a small advance payment of cash to cover administrative expenditures, which expenditures must be documented and justified before further cash advances are made.

2. UNO EXPENDITURES FROM GRANTS THROUGH 10/31/85

Total Humanitarian Assistance.....\$4,660,928

Food	\$1,257,189
Clothing	\$2,070,807
Medical	\$553,421
Equipment	\$639,561
Transport	\$139,950

Total UNO Liaison Office Expenses.....\$7,500

NHAO EXPENDITURES THROUGH 10/31/85

Total Administrative Expenses.....\$23,640

Direct Personnel Costs	\$13,374
Travel	\$4,800
Office Rent	\$3,666
Telephone toll calls	\$1,200
Miscellaneous	\$600

GRAND TOTAL.....\$4,692,068

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ITEMIZED PROGRAM COMMITMENTS THROUGH 10/31/85

<u>Grant-Letter of Commitment No.</u>	<u>Item, Quantity</u>	<u>Value</u>
<b>I. Food and consumables</b>		
602-001	various foodstuffs	\$196,875
602-008	various foodstuffs	\$214,982
603-007	various foodstuffs	\$827,872
603-008	various foodstuffs	\$17,460
	<u>Category Subtotal:</u>	<u>\$1,257,189</u>
<b>II. Clothing</b>		
601-001	waterproof material (21,000 yds) caps (10,000)	\$32,970 \$12,500
601-002	socks (2,000 doz. pr.)	\$17,000
601-003	boots (16,000 pr.) shirts and trousers (3463)	\$496,000 \$55,408
601-004	boots (1,000 pr.)	\$19,150
601-005	boots (1,080 pr.)	\$22,200
602-003	boots (500 pr.)	\$9,575
602-005	shirts and trousers (15,000)	\$243,750
602-006	sewing labor costs for manufacture of 6,351 shirts and trousers	\$41,282
602-009	suspenders (6,000) belts (10,000)	\$19,500 \$27,500
602-010	boots (10,000)	\$305,000
602-011	ponchos (20,000)	\$178,400
603-001	boots (15,000)	\$457,500

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603-002	belts (6,120)	\$18,972
	trousers (5,300)	\$5,300
	suspenders (1,077)	\$700
603-010	boots (6,800)	\$108,100
	<u>Category Subtotal:</u>	<u>\$2,070,807</u>

**III. Medicine and Medical Care**

601-007	medical expenses for wounded Nicaraguan	\$4,350
602-007	pharmaceuticals	\$38,540
602-010	stretchers (10)	\$220
	basket stretchers (5)	\$300
603-008	pharmaceuticals	\$10,011
603-009	pharmaceuticals and medical equipment	\$500,000
	<u>Category Subtotal:</u>	<u>\$553,421</u>

**IV. Equipment**

601-001	backpacks (4,000)	\$45,400
	large tents (7)	\$8,050
601-002	poncho liners (20,000)	\$230,000
601-009	mountain rescue equipment	\$970
	canteen covers (10,000)	\$17,500
	mess trays (100)	\$525
602-004	watches (1,000)	\$13,750
	cargo straps (100)	\$600
	flashlights (5,000)	\$14,905
602-009	pouches (4,000)	\$13,400
	flashlights (8,064)	\$24,192
	bags (4,000)	\$ 8,400
	canteen covers (6,000)	\$16,200
602-011	canteens (10,000)	\$5,800
	fabric storage tanks (13)	\$9,750

[REDACTED]

[REDACTED]

[REDACTED]

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602-013	farm tools	\$22,261
603-003	canteens (6,120)	\$3,978
603-004	web belts (500 dz)	\$6,000
603-005	spray paint (2,432 cans)	\$6,880
603-006	hammocks (20,000)	\$191,000
	<u>Category Subtotal</u>	<u>\$639,561</u>

V. Transportation

601-006	air charter service (two round trips from the US to Central America)	\$35,850
602-002	air charter service (two round trips from the US to Central America)	\$35,850
603-007	ground transportation	\$68,250
	<u>Category Subtotal:</u>	<u>\$139,950</u>

GRAND TOTAL: \$4,660,928

Notes

--Several letters of commitment included receipts for goods or services in more than one category. Letter of commitment numbers for such cases will appear under more than one category heading.

--601-008 was drawn up but not issued; thus it was not included above. The receipt in question will be paid through a later letter of commitment

--602-012 was not completed in time for submission with this report.

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U.S. Efforts to Promote a Regional Settlement  
in Central America\*

It has been the consistent view of the United States that the domestic and foreign policies of the Sandinista National Liberation Front (FSLN) are the root source of inter-state tensions in Central America and the internal conflict in Nicaragua and a major contributing factor to the prolongation of conflict elsewhere in the region, especially El Salvador. Those policies have created a democratic resistance in Nicaragua. Those policies led the resistance to conclude that change in Nicaragua would be possible only through a resort to arms. And those policies are at issue in the Contadora process seeking a regional peace settlement among the five Central American states.

The United States seeks to change those policies in four ways that would benefit peace in Central America. We seek:

- termination of all forms of Nicaraguan support for insurgencies or subversion in neighboring countries;
- reduction of Nicaragua's expanded military/security apparatus to restore military equilibrium in the region;
- severance of Nicaragua's military and security ties to the Soviet Bloc and Cuba and the return to those countries of their military and security advisers now in Nicaragua; and
- implementation of Sandinista commitments to the Organization of American States to political pluralism, human rights, free elections, non-alignment, and a mixed economy.

The United States has sought to achieve these objectives in two principal ways:

- We have supported a verifiable and comprehensive implementation of the September 1983 Document of Objectives of the Contadora process as the best hope for achieving a regional peace treaty; and,
- Consistent with Contadora principles, we have urged the Sandinistas to enter into direct discussions with the Nicaraguan democratic resistance and civil opposition.

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\*Aspects of these efforts are also treated in Part III of United States Department of State Special Report No. 132: "Revolution Beyond Our Borders": Sandinista Intervention in Central America."

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U.S. Support for Contadora

As Secretary of State Shultz informed the International Court of Justice in August, 1984:

The United States fully supports the objectives already agreed upon in the Contadora process as a basis for a solution of the conflict in Central America. The objectives of United States policy toward Nicaragua are entirely consistent with those broader agreed objectives and full and verifiable implementation of the Contadora Document of Objectives would fully meet the goals of the United States in Central America....

By design of Contadora's participants, the United States does not take part in the Contadora process. In October 1982, three months before Contadora's inception, the United States and seven other democratic states of the region sought to engage Nicaragua in a multilateral diplomatic dialogue. But the Sandinistas declined to receive the Costa Rican Foreign Minister, acting as emissary for the group, on the grounds that a dialogue with a group including the United States would be structured to its disadvantage. When Colombia, Mexico, Panama, and Venezuela subsequently initiated the Contadora process, they chose not to include the United States in order to meet this Sandinista concern. Informed of this decision through diplomatic channels, we indicated our understanding and support for this initiative.\*

The means available to us to support these regional negotiations as a result are necessarily indirect. Our support has taken various forms. Since Contadora began, we have made it clear repeatedly, both publicly and privately, that we support Contadora objectives. The President expressed that support authoritatively on April 27, 1983, before a Joint Session of the Congress.\*\* Shortly thereafter the President created the position of United States Special Envoy for Central America to give focus to that support and make it more effective.

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\*Ironically, Nicaragua in time objected to Contadora on the grounds that the United States was not a participant. This was a major reason why the Manzanillo talks were undertaken. President Ortega is reported to have suggested U.S. participation in the process during meetings with other Latin American leaders in New York, in October, 1985.

\*\*The President stated U.S. support again in a July 23, 1983 letter to the Presidents of Mexico, Panama, Colombia, and Venezuela -- the four Contadora Group countries.

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Former Senator Richard Stone served as Special Envoy from May 1983 to February 1984. Ambassador Harry W. Shlaudeman was appointed U.S. Special Envoy in March 1984 and has served continuously since that time. In twenty months Ambassador Shlaudeman has made 34 trips abroad and held 179 separate exchanges with ranking officials.

The United States sought to support Contadora directly during nine rounds of bilateral talks with the Government of Nicaragua June-December 1984. Those talks were undertaken at the request of the Contadora Group for the express purpose of facilitating a successful outcome of the Contadora process. In January 1985 the United States declined to schedule further discussions pending demonstration that Nicaragua was prepared to negotiate seriously within the Contadora framework.\*

#### U.S. Support for National Reconciliation in Nicaragua

Democratic national reconciliation is a fundamental principle of the Contadora process. It was explicitly accepted by all five Central American states, Nicaragua included, in the September 1983 Document of Objectives. Although they signed the Document of Objectives, the Sandinistas have consistently rejected dialogue with the Nicaraguan democratic resistance.\*\* The Sandinistas seek instead to portray the crisis in Central America as deriving from United States hostility toward the Nicaraguan revolution. We believe that the Sandinistas' refusal to deal directly with their own people and with the legitimate concerns of their neighbors constitutes the major roadblock to peace in Central America.

Both the internal and external opposition have proposed dialogue. On February 22 the internal opposition set forth the conditions under which a national dialogue could be successfully conducted. These included the lifting of the state of emergency; freedom of expression; a general amnesty and pardon for political crimes; restoration of constitutional guarantees and the right of habeas corpus; guarantees of the safety of members of the resistance movement who participate in the dialogue; and the implementation of these measures under the supervision of guarantor governments.

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\*See "Revolution Beyond Our Borders," pages 29-30.

\*\*The following statement by Tomas Borge, quoted in Daily Barricada, June 27, 1985, is characteristic: "We will negotiate with the Contras on the day the right wing parties and COSEP count all the grains of sand in the sea and all the stars in the sky. When they finish we will ask them to count them all again."

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On March 1 the externally-based opposition (including representatives of the FDN, the Miskito group MISURA, ARDE, and prominent democratic civilian leaders such as Arturo Cruz) proposed a national dialogue to be mediated by the Nicaraguan Catholic Church. It included a mutual in situ ceasefire and acceptance of Daniel Ortega as President until such time as the Nicaraguan people decided on the matter through a plebiscite. On March 22, the Nicaraguan Catholic Church hierarchy (Episcopal Conference) issued a communique reiterating its support for a national dialogue and declaring its willingness to act as a mediator.

President Reagan on April 4 undertook an initiative to support these possibilities. A key feature was the offer to refrain from providing military assistance to the democratic resistance if the Sandinistas accepted the March 1 offer. Although the Sandinistas rejected (and continue to reject) dialogue with the democratic resistance, the President's initiative did serve to focus attention on this fundamental issue.\*

In the context of Congressional consideration of the Administration's request for humanitarian assistance for the Nicaraguan democratic resistance, the President on June 11 informed Congressmen McCurdy, Michel, and Dade that:

I recognize the importance that you and others attach to bilateral talks between the United States and Nicaragua. It is possible that in the proper circumstances, such discussions could help promote the internal reconciliation called for by Contadora and endorsed by many Latin American leaders. Therefore, I intend to instruct our special Ambassador to consult with the governments of Central America, the Contadora countries, other democratic governments, and the United Nicaraguan Opposition as to how and when the U.S. would resume direct bilateral talks with Nicaragua. However, such talks cannot be a substitute for a church-mediated dialogue between the

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\*The President's April 4 initiative is described in: (1) "President Reagan Supports Nicaraguan Peace Process," United States Department of State Current Policy No. 682, April 4, 1985; (2) "U.S. Support for the Democratic Resistance Movement in Nicaragua," April 10, 1985: Unclassified Excerpts from the President's Report to the Congress Pursuant to Section 8066 of the Continuing Resolution for FY-1985, PL 98-473; (3) "The New Opportunity for Peace in Nicaragua," April 17, 1985 Prepared Statement by Assistant Secretary of State Langhorne A. Motley, before the Subcommittee on Western Hemisphere Affairs of the House Committee on Foreign Affairs; and (4) "The Nicaraguan Peace Process: A Documentary Record" Department of State Special Report 126, April 1985.

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contending factions and the achievement of a workable Contadora agreement. Therefore, I will have our representatives meet again with representatives of Nicaragua only when I determine that such a meeting would be helpful in promoting these ends.

Ambassador Shlaudeman conducted such consultations with the governments of Central America and the Contadora Group in visits to the region in late June and early July, and in early September with the governments of the Contadora Support Group (Argentina, Brazil, Peru, and Uruguay). The Contadora Group and Support Group governments generally favored resumption and the Contadora Group publicly called on the United States to do so on July 22. Costa Rica, Honduras and El Salvador did not favor such a course (Guatemala did not express a strong view one way or the other). They argued that the Manzanillo talks had distracted from and undermined the primacy of Contadora talks where they are the negotiators; that U.S.-Nicaraguan bilaterals legitimized Sandinista efforts to portray the Central American crisis as a U.S.-Nicaraguan conflict amenable to full resolution through arrangements between those two countries; and that it would be particularly inappropriate for the United States to resume such talks in the aftermath of Nicaragua's disruption of Contadora negotiations in June.\* Ambassador Shlaudeman also discussed the question with the leadership of the United Nicaraguan Opposition, which opposed resumption in the absence of the Sandinistas undertaking a serious dialogue with UNO. The subject was also regularly discussed in meetings with other interested governments during this same period.

On July 26, 1985, in Mexico City, Secretary Shultz explained the U.S. attitude toward national reconciliation and a resumption of bilateral talks with the Sandinistas as follows:

Nicaragua's purpose [in the Manzanillo talks], as now, was to negotiate bilateral accords dealing on a priority basis only with its security concerns. The Nicaraguan communists refused then, as they refuse now, even to consider dialogue with the Nicaraguan democratic resistance. These conflicting purposes were never reconciled and hindered progress from the start.

The United States ultimately concluded that the talks were detracting from instead of contributing to a comprehensive Contadora settlement. In deciding in January of this year not to schedule further meetings we made it clear that we

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\*See discussion of June Contadora meeting below.

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were not closing the door to their possible resumption under appropriate conditions. On June 11 the President made public his readiness to have United States representatives meet with representatives of Nicaragua when such a meeting would promote a Church-mediated dialogue between the contending factions in Nicaragua and a workable Contadora agreement....

We will continue to consult closely with all parties with a view to judging the appropriateness of a resumption of bilateral talks. We strongly urge Nicaragua to begin a Church-mediated dialogue as proposed by the United Nicaraguan Opposition and to return to multilateral negotiations within the Contadora Process to continue work on a comprehensive and verifiable regional accord.

#### The Contadora Process in 1985

As 1984 came to a close, two draft agreements were under consideration within the Contadora process: a September 1984 revision of a June 1984 draft; and an October 1984 draft (the "Tegucigalpa" draft) that defined the position of Costa Rica, Honduras, and El Salvador. Following a period of private consultations among the participating governments, the Contadora Group scheduled a resumption of negotiations for mid-February. An asylum dispute between Nicaragua and Costa Rica, however, prevented that meeting from taking place. The dispute was resolved in March 1985 through Contadora Group mediation, and negotiations among Central American plenipotentiaries resumed in April.

The April 11-12 meeting resulted in agreement in principle on revised verification procedures. All five Central American governments reserved the right, however, to propose modifications. A second meeting, May 16-18, was devoted primarily to discussion of approaches suggested by the Contadora Group for resolving outstanding security issues. The May meeting focused in particular on those elements of the October 1984 "Tegucigalpa" proposals of Honduras, Costa Rica, and El Salvador that the Contadora Group judged could be incorporated into the September 7 draft without difficulty. There reportedly was consensual acceptance of some of these non-controversial suggestions, particularly in the preambular section of the working draft.

At the conclusion of the May meeting, the Contadora Group governments circulated a proposal to resolve the more difficult security issues for consideration at the next meeting, in June. When the June meeting convened, the Nicaraguan delegate insisted that Contadora discuss renewed U.S. support for the

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Nicaraguan democratic resistance and refused to discuss the Contadora compromise proposal. Contadora Group efforts to have the Nicaraguan delegation reconsider were unsuccessful. In this situation, the June meeting was adjourned.

Nicaragua's disruption of the June meeting caused a suspension in the plenipotentiaries' negotiations that was to last four months. In July, the Contadora Group foreign ministers met in Panama to consider how the damage could be repaired. In a July 22 communique the Contadora Group Foreign Ministers announced their intention to consult bilaterally with each of the Central American governments in lieu of resuming talks.

The foreign ministers also called on Nicaragua and the United States to resume bilateral talks and on Costa Rica and Nicaragua to initiate a bilateral dialogue on a continuing series of Sandinista Army incursions into Costa Rican territory, which had brought Costa Rican relations with Nicaragua to an all-time low. A May 31 incident in which two Costa Rican Civil Guardsmen were killed in Costa Rica led Costa Rica to seek an OAS condemnation of Nicaragua. The OAS consensus resolution implied but did not explicitly state that Nicaragua was responsible for the incident and endorsed Nicaraguan and Costa Rican bilateral border talks within the Contadora framework. Costa Rica has been unwilling to hold the talks, however, until the Sandinistas satisfactorily explain the incident. Further incidents on July 26 and August 21 -- in which Sandinista planes dropped bombs and fired a rocket into Costa Rican territory -- soured relations even further.

Three of the Central American governments -- Costa Rica, Honduras, and El Salvador -- on August 1 welcomed the visit of Contadora Group Vice Ministers and jointly proposed that the negotiations among plenipotentiaries should be reconvened as a prior step to developing a third draft. They proposed that the talks be strengthened by meeting in more prolonged sessions that would give the meetings a "permanent character." Following consultations August 3-8 between the Contadora Group vice ministers, Costa Rica, Honduras, and El Salvador formally reiterated this proposal September 4. The three governments also stated their view that the key remaining issues to be resolved were national reconciliation, arms and troop level reductions, and verification.

Nicaragua's disruption of the June meeting and the suspension of plenipotentiaries' talks produced generalized concern that the Contadora process was in difficulty. Special Envoy Shlaudeman consulted with the Contadora Group and democratic Central American governments following the aborted

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meeting in June to urge that the meetings of plenipotentiaries be reconvened. Ambassador Shlaudeman also expressed the U.S. view that any procedural or substantive inducement to Nicaragua to return to the process would invite further disruption and counseled patience. Ambassador Shlaudeman was asked by one Contadora Group government if the United States would, at an appropriate opportunity, publicly reaffirm its support for the Contadora process. The Secretary of State Shultz did so on July 26, in Mexico City:

The United States fully supports efforts to achieve a political solution to the Central American crisis. We have given strong support to the efforts of the Central Americans themselves, assisted by the Contadora Group, to achieve a negotiated settlement. In our view, there exists in the Contadora Document of Objectives a fair, comprehensive and balanced framework for such an outcome. We expressed our support for a comprehensive and verifiable implementation of the Document of Objectives when it was agreed in September 1983. We reaffirm that support today.

The suspension of talks prompted expressions of support for Contadora from other governments as well. Following consultations with the Contadora Group governments, the governments of Argentina, Brazil, Peru, and Uruguay on July 28 formed a "Contadora Support Group." The foreign ministers of these governments met with the Contadora Group foreign ministers in Cartagena, Colombia August 23-25 to consult on how that support could be provided most effectively. A joint communique issued by the eight governments stated that there would be regular consultations among the governments in support of the negotiating process but did not, by mutual agreement, contemplate the direct participation of the Support Group Governments in Contadora deliberations.

Ambassador Shlaudeman visited Buenos Aires, Montevideo, Brasilia, and Lima, the four Support Group capitals, September 10-13 to convey U.S. support for Support Group activities. The Department of State had made an official statement on August 26 welcoming formation of the Support Group, following the meeting in Cartagena. In his discussions, Ambassador Shlaudeman suggested it would be useful for the Support Group to consult directly with all the Central American governments; to urge the Sandinistas to accept the proposal of the United Nicaraguan Opposition for a Church-mediated dialogue; and to meet directly with UNO leaders to form first-hand judgments as to their purposes and programs. He also briefed the Support Group governments on the Manzanillo talks and outlined United States views on the requirements for an effective and lasting peace in the region.

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Costa Rica, Honduras, and El Salvador jointly requested a meeting with the Support Group governments during a September 12-13 meeting of Contadora process foreign ministers in Panama. The Support Group foreign ministers declined the request, however, out of concern that such a meeting not interfere with the Contadora process itself.

The four Contadora Group foreign ministers presented the five Central American foreign ministers a third draft of a Contadora agreement at meeting in Panama September 12-13. The nine ministers agreed to convene negotiations on October 7, 1985 with the aim of reaching final agreement in a period not to exceed 45 days.\* It was also agreed that discussion would be devoted exclusively to the timing of entry into effect and duration of commitments; control and reduction of armaments; verification in security and political matters; military exercises; and operational matters that must be addressed in order to implement an agreement. It was further agreed that incidents or developments in the region would not be discussed in the meetings or condition the participation of any delegations. The Contadora Group ministers stressed that the Central American states have exclusive responsibility for reaching agreement.

The first round of talks were held October 7-11, 1985 on Contadora Island, off the coast of Panama. A second round of talks was held October 17-19; a third round is currently scheduled for November 6-9.\*\* While various delegates have characterized the talks in comments to reporters, the participating governments have refrained from issuing any joint statements or communiqus..

#### U.S. Diplomatic Contacts with Nicaragua

The United States has continued, since declining to schedule further meetings in the Manzanillo talks, to have diplomatic contacts with Nicaraguan government officials, in Managua, Washington and other capitals. Secretary Shultz, for example, met with Nicaragua President Ortega March 2 in Montevideo, during the inauguration of President Sanguinetti. Vice President Bush spoke with President Ortega during the inauguration of President Sarney of Brazil March 16. There have been a number of contacts between Ambassador Bergold and Sandinista Government officials, as well contacts at a lower

\*It has been suggested by some Contadora Group government officials that this refers to negotiating, not calendar, days.

\*\*Several delegations noted the presence on Contadora Island during the talks of German Sanchez, an official of the Americas Department of the Cuban Communist Party.

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level. In Washington, there have been meetings between Nicaraguan Ambassador Tunnermann and National Security Council officials and with Assistant Secretary of State for Inter-American Affairs Elliott Abrams.

The United States sought a meeting for Ambassador Shlaudeman with a high-level Nicaraguan official on the margins of the United Nations General Assembly this fall. The Nicaraguan Government initially accepted a meeting between Ambassador Shlaudeman and Assistant Secretary Abrams and Foreign Minister D'Escoto. The Nicaraguan Government then proposed, however, to send a lower ranking official to the proposed meeting. Ultimately, Nicaragua accepted the U.S. suggestion that Ambassadors Shlaudeman and Tunnermann meet in Washington. The two ambassadors met on October 29 and October 31, 1985.

In the October 29 meeting Ambassador Shlaudeman informed Ambassador Tunnerman that the United States would be prepared to resume bilateral talks if the Sandinistas were to accept the March proposal of the United Nicaraguan Opposition for a church-mediated dialogue and ceasefire. Ambassador Shlaudeman said that progress in this dialogue would make it possible to resolve U.S. - Sandinista bilateral problems. Ambassador Tunnerman responded on October 31 that the Government of Nicaragua rejects dialogue with the democratic resistance.

The President's Initiative on Regional Conflicts and the U.S.-Soviet Experts' Talks

On October 24, in his address to the United Nations General Assembly, President Reagan presented an initiative on regional conflicts that is intended, in part, to support the Contadora process and an end to the conflict in Nicaragua.

President Reagan's initiative aims at achieving peace and internal reconciliation, ending foreign military involvement, and fostering economic reconstruction in five of the most pressing international conflicts of the day, the wars in Afghanistan, Cambodia, Angola, Ethiopia and Nicaragua.

The President's plan sets forth a comprehensive and flexible framework for cooperation toward these goals among the warring parties themselves, between the U.S. and the Soviet Union, and among other interested parties. The plan, which would complement and bolster existing peace-making efforts, invokes action at three levels:

-- The starting point is a process of negotiation among the warring parties themselves. "The form of these talks may and should vary," the President explained, "but

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negotiations -- and an improvement of internal political conditions -- are essential to achieving an end to violence, the withdrawal of foreign troops and national reconciliation."

-- The second level involves joint U.S. and Soviet talks about how best to support the ongoing talks among the warring parties, when those negotiations make genuine progress. "In every case," the President said, "the primary task is to promote this goal: verified elimination of the foreign military presence and restraint on the flow of outside arms".

-- The third level entails an international effort to welcome these countries back into the world economy. The President pledged the United States would respond generously to their democratic reconciliation with their own people, their respect for human rights, and their return to the family of free nations.

This plan puts the primary responsibility on the warring parties themselves to reach accommodation; as the President points out, it is not for the United States or the Soviet Union to impose solutions. Yet it also provides a framework for the Soviet Union to cooperate with the United States in helping to bring peace to these five countries.

Pursuant to a 1984 presidential proposal, the United States and the Soviet Union held experts' talks on Central America and the Caribbean October 31 - November 1 in Washington. The talks were the fifth in a series of such exchanges on regional issues. We previously held experts' meetings (at the level of Assistant Secretary) on East Asia, Afghanistan, the Middle East and Southern Africa.

Our purpose was to clarify U.S. policy, making it clear that we intend to defend our interests, and thereby reduce the possibilities of unnecessary conflict. We have found the talks held so far to have been useful in understanding the Soviet position and making the Soviets understand our position. As the foregoing indicates, the experts' meetings were held under the rubric of the President's 1984 proposal, not the 1985 initiative on regional conflicts, and were in no sense negotiations.

#### Economic and Trade Measures

Both the National Bipartisan Commission and the Congress have recommended use of trade and economic measures to promote a resolution of the conflict in Central America and Nicaragua and we have regularly consulted with our trading partners and

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allies on this question. Positive economic incentives for Nicaragua to resolve its internal conflict have formed an integral part of every proposal the United States has made to the Sandinistas since they came to power in 1979. The President's October 24 initiative on regional conflict (see above) proposes generous economic aid where democratic national reconciliation takes place.

Even prior to the May 7 United States embargo, Nicaraguan trade with the United States, Latin America, and other traditional trading partners had been declining because of Nicaragua's lack of creditworthiness. The composition of foreign aid to Nicaragua had also changed dramatically, with the Soviet Bloc replacing the West as credit suppliers and as aid donors. Any increased aid from Western donors is likely to go to regional institutions such as the Central American Bank for Economic Integration, CABEI. Neither CABEI nor most of the multilateral financial institutions is presently approving new loans to Nicaragua owing to its serious payment arrearages to many of these institutions. Nicaragua's dependence on the Soviet Union and its allies is expected to continue to increase, although not at levels sufficient to offset its economic decline.

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